

**Testimony of Thomas Easterly
Commissioner, Indiana Department of Environmental Management
to the
U.S. Senate
Committee on Environment and Public Works
“State Perspectives: Questions Concerning
EPA’s Proposed Clean Power Plan”
March 11, 2015
Washington, DC**

Chairman Inhofe, Ranking Member Boxer and Members of the Committee, good morning, my name is Thomas Easterly. I am the Commissioner of the Indiana Department of Environmental Management, also known as IDEM. I bring you greetings from Governor Pence of Indiana, and I appreciate the opportunity to share with you Indiana’s current perspective on the Environmental Protection Agency’s proposed 111(d) regulations for fossil fueled Electrical Generation Units.

The proposed regulations will detrimentally impact Indiana for a number of significant reasons. We are the most manufacturing intensive state in the U.S. More than 80% of Indiana’s electricity is currently produced by coal. We have a 300-year supply of coal in our State, and 28,000 Hoosiers are employed in the coal industry. We recognize that we need all forms of energy to power our economy, and the Pence Administration is developing an updated energy plan for the State that will continue to foster greater use of renewable and other energy sources. At the same time we know that coal is a crucial Hoosier energy resource that must continue to be utilized.

IDEM's mission is to protect Hoosiers and our environment. Following the release of the proposed rule, my office carefully examined the proposal in light of our mission. We also engaged private sector stakeholders and other state agencies in an extensive review of the proposal and its potential impacts. Our analysis came to only one conclusion: This proposal will cause significant harm to Hoosiers (and most residents of the U.S.), without providing any measurable offsetting benefits. For these reasons, Indiana's Office of Energy Development, Office of Utility Consumer Counselor, Department of Natural Resources, Utility Regulatory Commission and my Agency filed joint comments urging the U.S. EPA to withdraw this proposal. A copy of the joint comments and a letter from Governor Pence that accompanied the joint comments has been shared with the Committee.

The most ironic impact of the proposed regulations is that they are likely to increase worldwide greenhouse gas emissions by decreasing the international competitiveness of U.S. businesses due to increased energy costs. Competitive businesses have been investing in cost effective energy savings activities for decades. Under this proposal, the total cost of the products produced in the U.S. will need to increase eroding our international competitiveness and resulting in the loss of manufacturing jobs in Indiana and across the nation. When these businesses close, U.S. emissions will decrease, but worldwide greenhouse gas emissions will increase as our businesses move to areas with less efficient and more carbon intensive energy supplies.

Indiana once held a competitive advantage due to our low cost of electricity. Not anymore. Indiana's low cost of electricity advantage has slipped, and EPA regulations

have significantly contributed to that change in position. The State Utility Forecasting Group (SUFG) in Indiana has forecasted a 30% increase in Indiana electrical costs in part from U.S. EPA regulations already in place, and the 111(d) proposal will add additional costs on top of that 30%. U.S. EPA itself predicts that its 111(d) proposal will increase the cost of natural gas and the per KWHr cost of residential electricity by around 10% in the next 6 years. Furthermore, increases in energy costs hit the poor, elderly and most vulnerable in our society first. At a time when Indiana is doing all that it can to grow its economy and create jobs, the EPA's proposal creates the very real possibility that increased energy costs will slow our economic progress and raise people's utility bills.

In Indiana, we are obviously concerned about the economic impact of the EPA's proposed rules on businesses and consumers, but we also have filed 31 pages of technical comments. We want to make sure the rule does not result in unintended consequences such as reduced reliability (brownouts) or not yet having all of the necessary infrastructure in place to convert from coal to natural gas.

For purposes of due diligence, Indiana is evaluating all available responses to the proposed regulations from submitting a state plan, to participating in a regional approach, or simply refusing to comply at all, known as the "just say no" option. However, the fact that this misguided policy will harm Hoosiers and other people in our country while actually increasing the worldwide level of the very emissions it is designed

to decrease compels Indiana to oppose the proposed regulations. I thank you for the opportunity to share our views and welcome your questions.